

# What is Credit Counseling In 2007?

## Your Guide to the Inside

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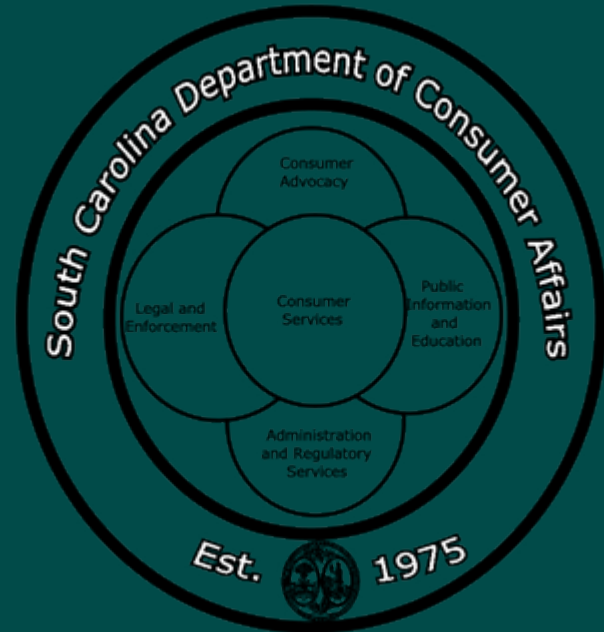
# OUTLINE

- Department Overview
- LAW
- Purpose
- Definitions
  - Debt Management
  - Credit Repair
  - Debt Settlement
- Options for Consumers
- Your Rights
- Enforcement



# SCDCA

- Consumer Services
- PI & E
- Consumer Advocate
- Legal Division
- Administration



# The Law

- December 2, 2005
- *Consumer Credit Counseling Act*
- ***What Does this Mean for Me?***



# Purpose

- Rights for Consumers when being contacted by or hiring a:



- ***Debt Management Businesses***
  - ***Credit Repair Businesses***
  - ***Debt Settlement Businesses***
- ***REGARDLESS of whether or not the business is located in South Carolina!!!***

# Definitions

## ● Debt Management Businesses

### ○ What Do They Do?

- *Negotiate*
- *Consolidate*
- *Send Payments*

### ○ Is This Right For Me?

- *Budget Analysis*

### ○ Your Responsibilities

- *Checking Up*



# Definitions Cont...

## ● Credit Repair Businesses

### ○ What Do They Do?

- Credit Report (Your help)
- Letters
  - *Incorrect Info*
    - No one can remove information that is accurate and timely
  - *Credit Reporting Agencies*
  - *Creditors*



# Definitions Cont...

## ● Debt Settlement

### ○ What Do They Do?

- *Negotiate*
- *Send Payment?*

### ○ Problems

- *Saving Money*
- *Time*
- *Creditor Action*





# Options for Consumers

## ● Self Help

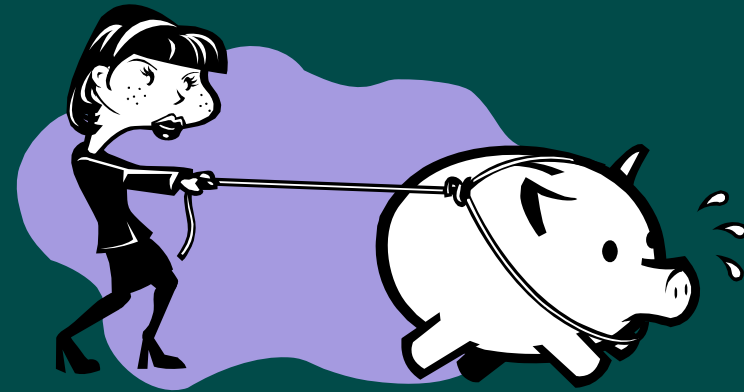
### ○ Debt Management

- Make a Budget... and stick to it!
- Keep in Contact with Your Creditors
- Negotiate
- Keep Good Records

### ○ Credit Repair

#### ● *Free Reports*

- Yearly : [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Denied Employment
- Denied Credit
- Unemployed, about to look for job



# Options Cont...

- *Reviewing the Report*

- Date of Last Activity:
  - should reflect last payment made by you - is it correct; is it more than seven years
- Accuracy of information
- Is each debt listed one time?
  - not once for each time it was transferred
- Is it your debt?
- Are there other issues/disputes with any of the debts?



# Options Cont...

- *Incorrect Info*

- You can request an investigation of information that is inaccurate
- Disputes are FREE!
  - Letters : What's wrong- Solution- Copies of Documents

- *Correct Info*

- Broken Record
  - Make a Budget... and stick to it!
  - Keep in Contact with Your Creditors

## ○ **Debt Settlement/ Negotiation**

- Make a Budget... and stick to it!
- Keep in Contact with Your Creditors
- Negotiate
- Keep Good Records

# Options Cont...

## ● Hiring a Credit Counseling Business

### ○ Still Need Help?

MAKE SURE THEY ARE LICENSED!!!

- [http://www.sccconsumer.gov/licensing/credit\\_counseling/licensed\\_counselors.pdf](http://www.sccconsumer.gov/licensing/credit_counseling/licensed_counselors.pdf)

### ○ BEWARE

#### ● All

- Lie
- Promises/ Guarantees
- No Written Contract / Services in Writing

#### ● Credit Repair

- Ask for Up Front Payment
- Dispute Everything on the Report
- Ask for Up Front Payment



# Your Rights

## ○ Credit Counseling Organizations MUST:

- Tell you how much their services cost
- Tell you how long it will take to get results
- Have a written contract & give you a copy
- Give you a minimal financial education counseling session
- **BE LICENSED BY SCDCA!!!**



# Your Rights cont...

- FEES\*:



Initial Consultation Fee	Plan Enrollment Fee	Monthly Maintenance Fee	Reinstatement Fee
\$50	\$30	\$40	\$25

***\* Businesses can charge UP TO these amounts. All credit counseling businesses cannot charge every fee listed- it is dependant on the services provided.***

# Your Rights cont...

- Complaint

- SCDCA

- 1-800-922-1594

- [www.scconsumer.gov](http://www.scconsumer.gov) “Complaint Services”

- Cancel

- Anytime

- 10 days notice

- Refund

- SUE

- 3 years

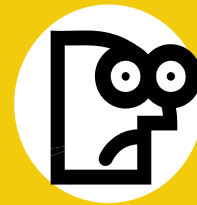
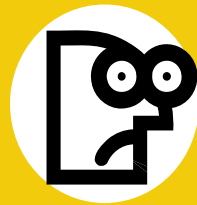


# Enforcement

- Approx. \$123,000 in refunds (10/ 181)
- Lawsuits
  - Unlicensed companies (contracts & soliciting)
  - Violation of the Act
- Judgment:
  - \$241,000 fine
  - \$142,000 in refunds







**It's QUESTION TIME!!**

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The background features five circles of varying shades of teal. Two are solid and three are outlined. They are arranged in a loose cluster, with two solid circles at the bottom left and two outlined circles at the top right, and one outlined circle at the bottom right.

# **SIDEBAR:** **Credit Reports**

# Sidebar: Credit Reports

- Credit Reports Tidbits

- Three major credit reporting agencies

- Different Information

- Lenders generally look at the last two years – they are looking for trends

- Study: Approx. 80% of credit reports have misinformation

# Sidebar: Credit Reports

- Credit Scores

- Predictors of future payment
- Approval and interest rate= score based
- Several names are used, most frequently it is called FICO
- Lowest possible FICO is 300 – highest is 850

# Sidebar: Credit Reports

- How Is The Number Figured?

- Payment History (35%)
- Length of credit history (15%)
- New credit (10%)
- Types of credit used (10%)
- Debt (30%)

# Sidebar: Credit Reports

- How To Read Your Report

- Usually divided into four sections:

- Identifying information
    - Credit history
    - Public records
    - Inquiries

# Sidebar: Credit Reports

- Identifying Information

- Need to review for accuracy

- Includes:

- Current and previous addresses
    - Date of birth
    - Telephone numbers
    - Driver's license number
    - Employer
    - Spouse name



# Sidebar: Credit Reports

- Credit History

- Credit accounts are listed - “trade lines”
- Name of creditor and account number
  - When you opened the account
  - Kind of credit
  - Individual or joint
  - Total amount of loan/high credit
  - How much presently owed
  - Fixed monthly payment/minimum monthly payment
  - Status
  - How well you have paid

# Sidebar: Credit Reports

- Public Records

- Best if this section is blank!

- Financial-related data:

- Bankruptcies

- Judgments

- Tax liens

- Does not include criminal activities or arrests

# Sidebar: Credit Reports

- Inquiries

- Two sections under this heading

- “Hard” inquiries –

- consumer initiates this by filling out credit application

- “Soft” inquiries –

- companies want to send promotional information to pre-qualified groups – or – current creditors who are monitoring your account

# Sidebar: Credit Reports

- Impact of Inquiries On The Score

- Not much
- Usually ignores inquiries within the last 30 days of getting a mortgage or a vehicle loan
- Counts two or more “hard” inquiries in the same 14 day period as just one inquiry